

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
MAY 22, 2007**

ITEM 8

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO LOS ANGELES COUNTY SANITATION DISTRICT NO. 14 (DISTRICT) FOR THE LANCASTER WATER RECLAMATION PLANT STAGE V EXPANSION, PHASE I PROJECT (PROJECT); STATE REVOLVING FUND (SRF) LOAN PROGRAM PROJECT NO. C-06-4916-110

DISCUSSION

The District is requesting that the State Water Resources Control Board (State Water Board) commit \$94,727,304 in SRF loan funds to construct the Stage V, Phase I Lancaster Water Reclamation Plant (Plant) expansion.

The County Sanitation Districts of Los Angeles County (Districts) are a confederation of independent special districts that serve the wastewater and solid waste management needs of approximately 5.2 million people in Los Angeles County (County). The Districts' service area covers approximately 800 square miles and encompasses 78 cities and unincorporated territory within the County.

District No. 14, formed on August 31, 1938, is one of the two districts that provides wastewater services in the Antelope Valley, which is located in the northern portion of the County. District No. 14 serves an area that includes most of the City of Lancaster, parts of the City of Palmdale, and portions of unincorporated County area. District No. 14 owns and operates the Lancaster Water Reclamation Plant (LWRP) and a network of approximately 64 miles of trunk sewers. The LWRP is located north of the City of Lancaster and provides primary and secondary treatment to all incoming wastewater.

The four primary concerns with regard to ongoing and/or future operations at the LWRP are: (1) the ability to accommodate projected wastewater flows, (2) the ability to manage effluent without unauthorized overflows from Piute Ponds to Rosamond Dry Lake (potentially interfering with Edwards Air Force Base designation and use of the lake bed as an emergency aircraft landing area), (3) the ability to provide recycled water for municipal reuse projects, and (4) the ability to maintain the marsh-type habitat and wildlife resources at Piute Ponds.

The LWRP currently has a permitted wastewater treatment capacity of 16 MGD but must be expanded by 10 MGD (to a total of 26 MGD) in order to accommodate projected wastewater flows by the year 2020. The selected alternative for the ultimate Project was Alternative 2, a 26 MGD conventional activated sludge (CAS)/tertiary treatment with agricultural reuse and storage reservoirs. The ultimate Project will be implemented in stages and phases (Stage V – Phase I and II, and Stage VI).

Stages V and VI will result in an ultimate expansion to 26 MGD of CAS/tertiary treatment with agricultural reuse and storage reservoirs. Phase I of Stage V will upgrade and expand the LWRP capacity from 16 MGD to 18 MGD. Phase II of Stage V will upgrade and expand the Plant capacity from 18 MGD to 21 MGD. The completion of Stage V will bring the LWRP to 21 MGD capacity, which will be adequate through the year 2014. Stage VI will involve construction of facilities that will increase the primary, secondary, and tertiary wastewater treatment, biosolids handling, and effluent management capacity of the LWRP from 21 MGD to 26 MGD through the year 2020.

The SRF Program will fund Stage V, Phase I, an upgrade and expansion of treatment capacity from 16 MGD to 18 MGD.

As a separate Project not being funded under the SRF program, storage reservoirs will be constructed prior to implementation of the Stage V, Phase I plant expansion to manage the effluent and prevent future overflows to Rosamond Dry Lake. The LWRP Stage V Recycled Water Pump Station and Storage Facilities - Phase I (Storage Reservoir Project) includes a pump station that will pump water to either the storage reservoirs or agricultural areas. Water will be stored in the reservoirs in the winter and removed in the summer for agricultural use. Some flow will continue to be discharged to Piute Ponds, as required, to maintain levels without overflow to Rosamond Dry Lake.

The Lahontan Regional Water Board has prescribed amended Waste Discharge Requirements (WDRs) under Board Order No. R6V-2002-053A2. The proposed Stage V, Phase I Project will upgrade the existing Plant to meet these amended WDRs. The proposed Project will upgrade the LWRP from oxidation ponds to tertiary treatment, and expand the LWRP capacity from 16 MGD to 18 MGD and will treat all wastewater to the tertiary level. Stage V, Phase I major facilities to be constructed consist of a primary effluent pump station, aeration system, final sedimentation system, secondary effluent equalization, tertiary filtration, chlorination system, dissolved air flotation, anaerobic digestion, dewatering, standby electrical generators, chemical stations, yard piping, grading and paving, district-furnished equipment-process air compressors, and district-furnished equipment centrifuges; and construction and modification of miscellaneous buildings and support facilities.

The diversion of the excess effluent with the implementation of Stage V, Phase I and the Storage Reservoir Project are intended to assist the District in achieving compliance with the Lahontan Regional Water Quality Control Board (Lahontan Regional Water Board) Order No. R6V-2004-0038 to eliminate the threatened nuisance conditions the current system poses to Edwards Air Force Base.

The District prepared a Draft Environmental Impact Report (EIR) for the proposed Project. The Final EIR (SCH# 2001021127) was adopted and certified by the District Board of Directors on June 16, 2004. The District filed a Notice of Determination with the Los Angeles County Clerk and the Governor's Office of Planning and Research on June 18, 2004. State Water Resources Control Board (State Water Board) staff have reviewed and considered the applicable environmental documents and determined that the Project will not result in any significant water quality impacts.

On November 6, 2006, State Water Board staff distributed the EIR to the following federally designated agencies: U.S. Environmental Protection Agency (USEPA), U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service (USFWS), Federal Emergency Management Agency (FEMA), U.S. Department of Agriculture (USDA), and the Natural Resources Conservation Service. The federal review period concluded on December 28, 2006. Written concurrence was received from the USFWS on January 18, 2007. State Water Board staff have determined that federal consultation has been sufficient and that no issues have been raised which would require further consultation with federal agencies.

The State Water Board's Cultural Resources Officer (CRO) sent a request for concurrence on a finding of "No Historic Properties Affected" and adequacy of "Section 106" compliance to the State Historic Preservation Officer (SHPO) on December 6, 2006. The SHPO concurred with the CRO's finding on January 8, 2007. No special conditions are proposed.

State Water Board staff compared the applicant's information to published air quality standards to determine whether a conformity determination is required. No conformity determination is necessary; therefore, staff submitted its analysis to USEPA for review and comment. No comments were received from USEPA on the staff analysis of air quality impacts.

State Water Board staff will file a Notice of Determination with the Governor's Office of Planning and Research following funding approval.

Based on the Project Report, the construction cost of the Project is \$82,000,000, and the total eligible Project cost, including engineering allowances, is estimated to be \$94,727,304.

The dedicated sources of revenue for repayment of this SRF loan are service charges and connection fees.

In accordance with the State Water Board's *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF Loan Commitment can be approved by the State Water Board after the Division has issued the Facilities Plan Approval (FPA). On April 6, 2007, the Division issued the FPA for the City's Project. The City agreed in writing on April 17, 2007, with the Division's Approval.

The District has provided the Division with a schedule containing Project Milestones. These dates are included in the Division's FPA letter. In accordance with Section IX (J) of the SRF Policy, the Resolution includes the following sunset dates for the Preliminary Funding Commitment: December 28, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction, and December 29, 2008, for signing the SRF Loan Agreement. The Division may approve up to a 90-day extension for good cause for both dates.

The District has applied for the full estimated eligible SRF loan amount of \$94,727,304 for the Project. The District requests a 20-year repayment period with the first SRF loan repayment due one year after completion of construction.

POLICY ISSUE

1. Should the State Water Board approve a SRF Preliminary Loan Commitment for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF Preliminary Loan Commitment if the District does not issue a NTP to construction by December 28, 2007, and sign the SRF Loan Agreement by December 29, 2008? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?
3. Should the State Water Board direct the Division to allocate \$94,727,304 consistent with the construction schedule and availability of funds?

FISCAL IMPACT

(as of 3/19/07)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$533,353,932	\$254,267,717	\$243,516,553	\$201,345,956	\$247,223,223
Estimated Repayments	\$177,117,663	\$181,815,880	\$191,815,880	\$201,815,880	\$211,815,880
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)	(\$31,456,429)
Estimated Capitalization Grants	\$44,528,521	\$62,209,185	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$76,000,000	\$0	\$0	\$0
Local Match Credits	\$34,294,794	\$8,549,850	\$4,610,358	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$17,000,000	\$12,000,000	\$7,000,000	\$4,000,000	\$2,000,000
Estimated Disbursements	(\$515,981,162)	(\$193,007,093)	(\$114,742,423)	(\$68,538,325)	(\$25,964,254)
Subtotal	\$256,267,717	\$368,477,959	\$300,307,264	\$311,031,820	\$407,785,170
Withdraw Crescent City February 20, 2007 Commitment, 4699-110		\$11,000,000	\$5,648,000	\$3,000,000	
Crescent City, 4699-110		(\$19,200,000)	(\$14,614,176)	(\$10,000,000)	
Union SD, 5053-110		(\$1,750,000)			
Novato SD, 4903-110		(\$25,000,000)	(\$22,800,000)	(\$22,800,000)	(\$4,590,080)
Palo Alto, 4132-110		(\$9,400,000)	(\$9,600,000)		
LACSD, 4916-110		(\$15,719,000)	(\$25,000,000)	(\$25,000,000)	(\$25,000,000)
Reedley, City of, 5051-110		(\$14,363,271)	(\$12,195,132)	(\$1,508,597)	
Fontana, City of, 4897-110, -210, -220		(\$29,229,135)			
Colfax, City of, 4470-110		(\$6,800,000)	(\$2,500,000)		
Ventura Co. Water Works Dist. 16, 4946-110		(\$4,500,000)	(\$2,900,000)		
Reserve for Small Community Wastewater Grant Projects	(\$2,000,000)	(\$10,000,000)	(\$15,000,000)	(\$7,500,000)	
Balance	\$254,267,717	\$243,516,553	\$201,345,956	\$247,223,223	\$378,195,090

- Estimated Repayments include repayments from existing and future loans.
- Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated for projects with existing commitments. Local Match credits are the anticipated funds that will be contributed for local match loans included in "Estimated Disbursements".

REGIONAL WATER BOARD IMPACT

The Lahontan Regional Water Board has prescribed amended Waste Discharge Requirements (WDRs) under Board Order No. R6V-2002-053A2. The proposed Project will upgrade the existing Plant to meet these amended WDRs. In addition, District No. 14 has identified this Project as a priority in order to meet the Lahontan Regional Water Board's requirement (Board Order No. R6V-2004-0038) to eliminate the threatened nuisance conditions the current system poses to Edwards Air Force Base. The diversion of the excess effluent from the Piute Ponds to additional storage reservoirs and recycled water pipeline will eliminate these threatened nuisance conditions and put District No. 14 in compliance with this Board Order.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF Preliminary Loan Commitment of \$94,727,304 for the District's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.
2. In accordance with the SRF Policy, condition this approval by withdrawing the SRF Preliminary Loan Commitment if the District does not issue a NTP to construction by December 28, 2007, and sign the SRF Loan Agreement by December 29, 2008. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.
3. Direct the Division to allocate \$94,727,304 consistent with the construction schedule and availability of funds.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2007-**

RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO
LOS ANGELES COUNTY SANITATION DISTRICT NO. 14 (DISTRICT) FOR THE LANCASTER
WATER RECLAMATION PLANT STAGE V EXPANSION, PHASE I PROJECT (PROJECT);
STATE REVOLVING FUND (SRF) LOAN PROGRAM PROJECT
NO. C-06-4916-110

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," and amended it on September 22, 2005;
2. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List which included the District's Project in Priority Class C;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the District's Project on April 6, 2007, and the District agreed with the approval on April 17, 2007; and
4. The District prepared and adopted an Environmental Impact Report (EIR) for the Lancaster Water Reclamation Plant Project, Phase V;
5. The District Board of Directors approved the Project, certified the Final EIR, and adopted a Mitigation Monitoring Program and Statement of Overriding Consideration on June 16, 2004. A Notice of Determination was filed with the Los Angeles County Clerk and the Governor's Office of Planning and Research on June 18, 2006;
6. State Water Board staff have reviewed and considered the environmental documents and determined that the Project will not have any significant water quality impacts; and
7. The District has identified service charges and connection fees as revenue sources sufficient for repayment of this SRF loan.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF Preliminary Loan Commitment of \$94,727,304 for the District's Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;

2. Includes a condition that this SRF Preliminary Loan Commitment will expire if the District does not issue a "Notice-to-Proceed" to construction by December 28, 2007, and sign the SRF Loan Agreement by December 29, 2008. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$94,727,304 consistent with the construction schedule and availability of funds.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on May 22, 2007.

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Clerk to the Board